



Water Services Advisory Commission

Oasis Water Campus
7070 W. Northern Avenue
September 7, 2016, 6:00 P.M.

FINAL MINUTES

- I. **CALL TO ORDER** – 6:00 p.m.
- II. **ROLL CALL:** Present: Chairman Jonathan Liebman, Commissioners Robert Gehl, Ron Short, and Robin Berryhill

Absent: Commissioner Ruth Faulls

Staff: Craig Johnson, John Henny, Ron Serio, Amanda McKeever, Drew Swieczkowski, Megan Sheldon, Joanne Toms, Anthony Weathersby, and Sally Melling Recording Secretary

III. **APPROVAL OF MINUTES OF PREVIOUS MEETINGS**

Approval of the Final Minutes, May 4, 2016 meeting - Motion for approval made by Comm. Short, seconded by Comm. Gehl. **APPROVED 3-0**

IV. **DIRECTOR'S REPORT** – Craig Johnson, P.E., Water Services Director

Mr. Craig Johnson presented a brief update on the department's activities to the Commission. He was pleased to report the project at 59th Avenue and Olive to replace a damaged water line should be completed by the end of September. He gave a further update on the water line project at Bethany Home Road from 59th to 67th Avenues which should be done by early December. Design work is currently underway at all the water plants. Construction work is currently underway here at the Oasis Water Campus and construction work should begin soon at the Pyramid Peak and Cholla water treatment plants. Design work and construction is currently being done at the West Area Water Reclamation Facility. Many of the waterline vaults throughout the city are being replaced.

He stated that Glendale is a finalist on the short list for a prestigious award presented by AZ Forward for the Glendale Garden Habitat Education Program led by Joanne Toms and her staff of the Conservation and Sustainable Living group. The winner will be announced on September 10.

Mr. Johnson explained two items presented to Council on September 13, 2016 in which Glendale has been awarded an energy allotment by the Arizona Power Authority from Hoover Dam. Power will be delivered through SRP in a 50-year program to generate savings for power that will be used anyway. Savings are estimated at \$107,000 for the first ten years of the 50-year contract using current rates.

He discussed the Chapter 33 revisions that were presented at a Council Workshop on August 16, 2016 by the Finance and Water Services jointly to update the city code. The revisions include allowing the Finance director to formulate a policy for staff to allow write off adjustments to keep businesses flowing after thorough investigation of water incidences. Information was also provided to clarify with whom the authority rests for initiating the drought management plan by naming the city manager as such. Staff will return to Council for approval on this at a later date.

Mr. Johnson reported on plans for the upcoming Touch-a-Truck annual event on October 22. This year's event will be at Westgate again from 10 a.m.-1 p.m. and Water Services areas are always the biggest draw because staff provides interactive trucks and back-hoes (with staff supervision) that the public can use to dig in the sand, view operational CCTV equipment, and other family activities.

Mr. Johnson wrapped up his presentation by briefly outlining a Request for Proposal (RFP) for rate analysis and cost of service that has been formulated for a cost of service study, also known as a rate study. He stated they anticipate choosing a consultant by October or November. Mr. Johnson explained water rates have not increased since 2010 while costs and charges have steadily increased. He proposed that the WSAC be involved as much as possible in the process. Mr. Johnson foresees several presentations to Council through workshops before the final item is taken to a voting meeting. The earliest possible date for a rate increase would be early 2019.

In answer to Chairman Liebman's question, Mr. Johnson confirmed that all the building projects mentioned earlier were capital costs. Currently, the cost is over \$35 million for this year and next year. One project is \$25 million for the Arrowhead Ranch Water Reclamation Facility upgrades. The projected amount for all anticipated projects over the next five years is \$150 million, all of which will be paid in cash. Mr. Johnson stated all this information will be part of the cost of service study presented to the consultant with their recommendation of when bonds should be sold to minimize the citizen impact while meeting capital improvement needs. Mr. Johnson further explained that Council approved a policy maintaining a \$40 million fund balance reserve for Water Services. Total cash on hand is \$100 million, leaving \$60 million available for pay-as-you-go projects such as these.

Chairman Liebman requested clarification on the Chapter 33 revision dealing with account write-offs. Mr. Johnson gave two examples: a customer has a sudden high usage reading of \$300 where normally the customer's bill is \$100. In the past, there was no recourse other than working out a payment plan for them or billing them at a lower usage tier. He explained there are four tiers of water usage with each tier indicating more water used per month, and each tier raising the cost per gallon past a set amount of gallons allowed. There will now be a way established to help customers with anomalies and catastrophic events. Another issue that was resolved is helping businesses deal with unpaid bills left by prior owners. Before the revision, a new owner was held liable for old charges. Mr. Johnson informed Chairman Liebman that the item will go to Council on September 27, 2016 with a 30-day waiting period before becoming effective. Chairman Liebman when the document could be viewed on line and Mr. Johnson stated we would confirm availability.

Chairman Liebman asked if there was some upcoming issue for the rate study that is driving the need to do it now. Mr. Johnson clarified that everything is planned to be out several years. One expected result is investigating the development of an advantage to help with disabled and elderly customer accounts which was a recommendation from the Citizen Task Force on Water and Sewer.

ACTION: NO ACTION REQUIRED, INFORMATION ONLY

V. MEMBERSHIP INFORMATION

Ms. Amanda McKeever, Water Services Administrator, presented general membership information to the Commission. She explained that the commission is now smaller with two commissioners resigning over the summer. Government services committee appoint new members based on districts and a new vice-chair. The current number of five members now constitutes a quorum of three. Chairman Liebman asked what happens if he is unable to attend and there is no vice-chair appointed yet. Ms. McKeever stated she would double-check and return with that information.

ACTION: NO ACTION REQUIRED, INFORMATION ONLY

VI. COLORADO RIVER SHORTAGE

Mr. Drew Swieczkowski, Environmental Program Manager, presented information of the Colorado River water shortage with an overview of the Colorado River and Central Arizona Project (CAP) system, efforts to conserve water in Lake Mead, and guidelines and regulations affecting the effects of the 16-year (to date) drought. Mr. Swieczkowski stated Glendale has a great water portfolio with diverse sources which are composed of 40% SRP water, 38% CAP water, 15% groundwater, and 7% reclaimed water. He explained that Glendale has approximately 25,000 acre feet total allocated from CAP. He also explained that the cost of water per acre foot will continue to raise due to lower supply and increased operation and maintenance costs.

The upper basin states are Wyoming, Colorado, New Mexico, and Utah while Arizona, Nevada, and California are the lower basin states. Mr. Swieczkowski explained that Arizona receives 2.8 million acre feet from the Colorado River/CAP system. He also pointed out that we need it to snow in the upper basin states to provide water for Lake Powell and Lake Mead. Lake Powell is the 2nd largest storage water storage reservoir in the United States with Lake Mead being the largest. The good news is no shortage will be declared on the Colorado River for 2017; however, 2018 will be close. Probability of shortages declarations gets higher from 2019 on.

Mr. Swieczkowski explained that CAP has junior priority on the river which is the first to be cut during a shortage because of the contract signed in 1968 to get the CAP canal built. California does not receive any cuts during a shortage. The 2007 Interim Guidelines for the Operation of Lake Powell and Lake Mead determines 3 tiers of shortages for the Colorado River Water. Shortages in the CAP supply are declared based on Lake Mead elevations: Tier 1 is declared at 1075 feet, Tier 2 is declared at 1050 feet, with Tier 3 is at 1025 feet. Lake Powell releases water to Lake Mead; this year 9.0 million acre feet were released which helped Lake Mead water levels stay above the first shortage tier of 1075 feet for 2017.

CAP has taken steps to improve conservation and operational efficiency such as lining canals and increasing supplies. This year alone, Arizona and CAP will conserve 380,000 acre feet in Lake Mead due to system efficiencies. There is also a MOU between lower basin states that will create new water for Lake Mead and a pilot program that funds water efficiency programs.

Comm. Berryhill asked if growing population and building has increased the water shortage. Mr. Swieczkowski confirmed that they have stressed Lake Mead. Lake Mead is declining because more water is going out than is coming in and states are having to use their full allocations due to the drought. The demand obligations and water releases from Lake Powell into Lake Mead create a structural deficit; Lake Mead's elevation drops about 12 feet every year, drought or no drought.

This drought could be the new norm. The Secretary of the interior will declare a shortage if there is insufficient water in Lake Mead to deliver 7.5 million acre-feet to the lower basin states. Should shortages be declared, Arizona takes less water: Tier 1 shortage-Arizona takes a 320,000 acre foot cut; at Tier 2 shortage-we take a 400,000 acre foot shortage (80,000 more plus Tier 1 amount) which will reduce hydropower generation; at Tier 3 shortage, we take 480,000 acre foot cut (Tiers 1 and 2 plus 80,000 acre feet more). It is unknown what steps the Secretary of the Interior will take to protect Lake Mead if Tier 3 is reached. Arizona could face drastic cuts to CAP supply with the possibility of no water received from the CAP.

The 2007 Guidelines Shortage Sharing plan has Arizona, Nevada, and Mexico (voluntarily) sharing the cuts with no additional reductions to California under these guidelines. Mr. Swieczkowski explained the CAP Priority Pools reduction chart with excess water sell options being reduced first, then the Agricultural Pool, the Non-Indian Agriculture, Indian Priority, and Municipal & Industrial Priority, and last to lose water will be those cities located on the Colorado River.

He went on to explain that all through these water cuts occurring, Lake Mead would continue to decline. Next he explained the Lower Basin Drought Contingency Plan (DCP). This is proposed to be put in place as an insurance policy to provide more certainty and with greater protection to the water supply. The DCP addresses elevation drops earlier with deeper reductions for Arizona and Nevada, and makes California participate in shortage sharing. Modeling predicts that these proposed additional DCP reduction will slow the decline in Lake Mead. With the DCP cuts in place, it buys time and pushes out the worst case scenario cuts of the three tiers from 2018 to 2021.

Comm. Gehl asked at what level all the farms dry up. Mr. Swieczkowski explained that agriculture is impacted at the Ag Pool level however, ways are being developed by all concerned to find ways to mitigate the effects such as pumping more groundwater to make up for the loss of surface water. There are some cities that have more farm areas within their borders such as Chandler and Gilbert rely heavily on Ag Pool or NIA priority water. Comm. Berryhill added that it is only those farms that use CAP water, not SRP water users. Without DCP, at the beginning, it is business as usual: no impact to the Municipal Supply during Tier 3 shortages, slight impact to Muni NIA supplies in tier 3 shortage, California does not share in the shortage sharing, strong possibility that Lake Mead will fall below 1,025 feet, but it cannot continue into the future. With DCP: slight impact to Muni supplies under the Tier 3 shortage, Ag pool is gone, most NIA supplies gone by the Tier 2 shortage, California shares in the shortage, delays Lake Mead falling below 1,025 feet, and starts to address the issues with the Colorado River.

Mr. Swieczkowski detailed how the DCP affects Glendale customers: most of Glendale's water is higher priority M&I water, it will reduce or eliminate our NIA water, during a Tier 3 shortage with DCP, a small amount of M&I and Indian priority water will not be available (approximately 25,000 acre feet). He clarified that should the Lake Mead level return to normal, we get the lost water amounts back. He summarized that Lake Mead is in a terrible state, a combination of variables is causing that decline, more needs to be done to slow the lake level drop, the DCP buys us time to find these solutions, and Glendale's water portfolio is in good shape. He added that the different entities all need to agree on the DCP and go to the state legislature to get the DCP adopted; and it is hoped that it will be in place by 2018.

Chairman Liebman asked how a CAP water shortage changes the dynamics between ground and surface water. Mr. Swieczkowski explained that we would rely more heavily on SRP water supplies but the city would still be able to supply the water needs for the northern area of city through the Pyramid Peak Water Treatment Plant. Chairman Liebman asked if the shortages map back to the rate

study. Mr. Swieczkowski said that costs will continue going up since fixed costs are still in place but less water is available to sell. Mr. Johnson explained that we currently don't use all the allocation designated for the city. He also explained that the debt for paying for the CAP canal is \$44 million annually. Ways are being investigated to refinance that debt; if successful it would reduce it from \$44 million to \$15 million annually.

Comm. Berryhill asked for clarification in that water used from SRP must be repaid. Mr. Swieczkowski confirmed that if SRP water is taken off project, then it is repaid 1-for-1. Also, trading deals between other cities are being investigated. Comm. Berryhill asked if the water shortage would only be in the areas in the city served by CAP water or across the city. Both Mr. Swieczkowski and Mr. Johnson explained it is shared statewide. Comm. Gehl asked if California was going along with the DCP. Mr. Swieczkowski replied they were because it gives them an advantage. Mr. Johnson added that there are several side issues involved also such as desalination.

NO ACTION REQUIRED, INFORMATION ONLY

VII. CALL TO THE AUDIENCE

No audience members spoke.

VIII. FUTURE AGENDA ITEMS

Fats, Oils, and Grease
Sub-Regional Operating Group
Rate Study Discussion

IX. COMMISSIONER COMMENTS

No Commissioners spoke.

X. NEXT MEETING: October 5, 2016, 6 p.m.

XI. ADJOURNMENT – Motion to adjourn was made by Comm. Short, **seconded by Comm. Gehl. **MOTION APPROVED 4-0.** The meeting adjourned at 7:30 p.m.**

Respectfully submitted,
Sally Melling